

## Annual report on Congestion revenues according to Regulation (EC) 2019/943 of the European Parliament and of the Council of 5 June 2019 on the internal market for electricity

### Background

The National Regulatory Authority, in Sweden the Energy Markets Inspectorate (Ei), shall in accordance with the Regulation (EC) 2019/943, on an annual basis, and by March 1 each year inform ACER and publish a report on congestion revenues, Article 19 (5). The regulation also states that a method must be proposed by the Transmission System Operators and approved by ACER, Article 19 (4). The method was published by ACER in December 2020, Decision 38/2020, and will be applied to capacity revenues collected from 2022.

The report shall set out the amount of revenue collected by a Transmission System Operator (TSO) and the use made of the revenues in question, together with verification that the use complies with the Regulation and the methodology and that the total amount of congestion income is devoted to the prescribed purposes.

Price mechanisms are used to relieve grid congestion (bottlenecks) between price areas. The TSO receives revenues from the allocation of capacity. The method used in the Nordic region, up to now, is implicit auctions through Nord Pool Spot. The congestion revenues are published on monthly basis at Nord Pool Spot's website (currency EUR).

Affärsverket Svenska Kraftnät and Baltic Cable AB are TSOs' in Sweden. Ei has requested information from the TSOs' regarding the amount of revenue collected during the period 1 January 2020 to 31 December 2020 and the use of the revenues.

**Affärsverket Svenska Kraftnät**

Affärsverket Svenska Kraftnät has reported external congestion revenues as follows:

Month	Revenue (kSek)
January 2020	68 152
February 2020	137 718
March 2020	252 892
April 2020	183 923
May 2020	168 658
June 2020	121 340
July 2020	456 329
August 2020	348 288
September 2020	265 331
October 2020	259 299
November 2020	278 880
December 2020	330 473
<b>Total</b>	<b>2 871 283</b>

**Baltic Cable AB**

Baltic Cable AB has reported congestion revenues as follows:

Month	Revenue (kSek)
January 2020	32 100
February 2020	31 832
March 2020	35 377

April 2020	30 434
May 2020	2 911
June 2020	40 779
July 2020	17 493
August 2020	30 625
September 2020	11 938
October 2020	27 858
November 2020	53 843
December 2020	48 459
<b>Total</b>	<b>363 649</b>

## The use of collected congestion revenues

### Affärsverket Svenska Kraftnät

Affärsverket Svenska Kraftnät has informed Ei that the collected congestion revenues have been used in accordance with the Regulation EC 2019/943, Article 19 (2) and Affärsverket Svenska Kraftnät's internal guidelines for handling capacity charges (congestion revenues). At the end of each year, it is decided which network investments the balanced congestion revenues can be used for. If it is not possible to use all the congestion revenues for this purpose, the surplus will be placed on a separate account in the balance sheet until it can be spent accordingly to the priority objectives in the regulation, Article 19 (2).

In 2020 collected congestion revenues has been used to guarantee the actual availability of the allocated capacity through counter trading (9 632 kSEK), network investments (383 923 kSEK) and an amount has been used for maintenance, network losses and RSC/RCC (89 369 kSEK), all with the purpose to maintain or increase interconnection capacities. The remaining congestion revenues received during the year could not be used effectively and have therefore been placed in a separate account (2 388 359 kSEK) in the balance sheet in

accordance with the regulation, Article 19 (3). No congestion revenues have been used to lower the tariff for year 2020.

### **Baltic Cable**

Baltic Cable is a single interconnector with congestion revenues as the only revenue. In accordance with the judgment of the European Court of Justice (C-454-18), the company has the right to cover its costs with received congestion revenues and the right to a reasonable profit. This is also confirmed in ACER decision 38/2020, Annex II.

In 2020, Baltic Cable received 363 646 kSEK in congestion revenues. Baltic Cable has informed Ei that the revenue received has been allocated to maintenance and operation of the interconnector and capital costs relating to depreciation and interest expenses for financing.

Baltic Cable has informed Ei that the received congestion revenues for 2020 may result in a surplus that can be used to cover previous years' deficits and possibly placed in an internal account for future needs in accordance with Article 19 (3) of the Regulation, EC 2019/943. Given that the financial statements for 2020 have not yet been approved by the company's board and that Ei currently are in the process to develop a method for allowed revenue, no information can be provided about any amounts reserved in an internal account. Baltic Cable has also provided information that no congestion revenues have been used to reduce tariffs as this is not possible in the role of single interconnector.

### **Assessment by Ei**

Ei has not found any reason to further investigate Affärsverket Svenska Kraftnäts' use of collected congestion revenues for the year 2020. Ei can, from the information presented by Affärsverket Svenska Kraftnät, conclude that there is no indication that the use of the collected revenues does not comply with the Regulation EC 2019/943.

Baltic Cable has reported that the congestion revenues for 2020 have been used for necessary operation and maintenance and to cover capital costs in accordance with the judgment of the European Court of Justice (C-454-18). Information that a surplus is expected has also been provided, but the company's board has not yet adopted the annual financial report, so the extent of the surplus is not available.

Ei has in previous decisions assessed that Baltic Cables' handling of received congestion revenues was contrary to article 16 of the regulation EC 714/2009. Baltic Cable thereafter appealed these decisions in court. Following the European Court of Justice ruling, the Swedish Administrative Court has referred previous cases on this to Ei. Consequently, Ei is currently in the process of developing a method for how the allowed revenue is to be determined for Baltic Cable. Reported information is preliminary and information on any amounts placed in an internal account will be available later in this year and provided in the coming year's report.